

Zakat in Facing the Challenges of Economic Recession

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Paper was presented at the 6th Indonesian Conference of Zakat (ICONZ)
30 November – 1 December 2022, Semarang, Indonesia

ABSTRACT

Writing this paper aims to describe the potential effectiveness of zakat in facing the challenges of economic recession. As we know, Indonesia is a country with the largest Muslim population in the world. This very large number of Muslim populations illustrates the huge potential of ZIS that can be obtained. In addition, the rapid development of ZIS management in Indonesia makes the great potential of ZIS can be used to empower the community. The proper allocation and utilization of zakat is important in order to anticipate a decrease in welfare due to an economic recession. This paper was made using the literature review method. The data used in this paper is secondary data. The conclusion obtained is the effectiveness of zakat is very helpful in the scope of household consumption.

Keywords: Consumption, Investment, Government Spending, Economic Recession, Potential

INTRODUCTION

Currently the economic crisis in Indonesia caused by the co-19 pandemic has had a very bad impact on Indonesia. All programs that have been carried out by the government are still not optimal by the community. Efforts and policies carried out by the government will not be able to succeed if they are not supported by other instruments, and what is meant by these instruments is zakat. As we know, Indonesia, where the majority of the population is Muslim, has enormous potential in collecting zakat funds, therefore it is time for the management of zakat to be processed by the government so that this great potential can be channeled effectively (Harisah, 2021).

Poverty in Indonesia is still a big problem that needs attention both from the economic and social service aspects, as well as from various other poverty categories. Data from the Central Statistics Agency (BPS) stated that the poor population (population with monthly per capita

spending below the poverty line) in September 2019 was still very high, reaching 24.79 million people or 9.22% of Indonesia's total population of 267 million in 2019. This number has decreased from the previous year, namely September 2018 reaching 25.67 million people or 9.66 of Indonesia's population. Poverty is sunnatullah and cannot be avoided in the Islamic context. Islam does not talk about how to eliminate poverty, but Islam talks about how to minimize poverty and how to achieve prosperity, namely by paying zakat (Safitri, 2018).

The distribution of ZIS funds and economic growth can be shown when every Muslim has the obligation to issue zakat. It is intended that the assets owned can rotate in the economy or can be called productive. When these assets are productive, it will have an impact on increasing output, employment, income and increasing social welfare.

The Covid-19 pandemic that hit Indonesia caused economic activity to begin to be disrupted and resulted in

weakening purchasing power and an economic slowdown. The impact of these conditions has led to an increase in unemployment and the number of poor people in various countries as a consequence of the sluggish economy (sikapiuangmu.ojk.go.id).

Indonesia's economy in 2020 as measured by Gross Domestic Product (GDP) at current prices reached IDR 15,434.2 trillion and GDP per capita reached IDR 56.9 million or US \$ 3,911.7.

The Indonesian economy based on the Gross Domestic Product (GDP) based on current prices in the first quarter of 2021 reached IDR 3 969.1 trillion and on the basis of constant 2010 prices it reached IDR 2,683.1 trillion (bps.go.id).

LITERATURE REVIEW

Zakat

Zakat is one of the pillars of Islam and is also a mandatory instrument for Muslims in worshipping Allah SWT. The main objective of zakat is to achieve socio-economic justice, with respect to the economic dimension of zakat which aims to achieve beneficial effects on several dimensions such as aggregate consumption, saving and investment and poverty alleviation. Thus zakat can help the government in alleviating poverty in Indonesia.

Economic Recession

In simple terms, it can be interpreted as a condition in which a country's economy is deteriorating as seen from a negative Gross Domestic Product (GDP), rising unemployment, and negative real economic growth for two consecutive quarters.

RESEARCH METHODOLOGY

This study used a qualitative method based on a literature review approach by

describing, analyzing and analyzing various secondary data sources. The data is obtained from journals, scientific articles and data publications which are of course relevant to research. This research is a qualitative research using a literature review approach, namely examining and critically reviewing research objects from various secondary sources such as journals, websites (BAZNAS, www.bps.go.id) and other articles that support this research. Searching and collecting data is carried out with documentation from various literature and focusing on data sources according to the research object and then describing and presenting the data in several parts.

RESULTS AND DISCUSSION

Economic growth is an increase in various production outputs in a country. In short, economic growth is defined as the achievements that a country has achieved in terms of economic development. Economic growth can be seen from the increase in GDP. Economic growth is an increase in various production outputs in a country. In short, economic growth is defined as the achievements that a country has achieved in terms of economic development. Economic growth can be seen from the increase in GDP. This is caused by central banks around the world simultaneously raising interest rates in response to inflation or rising prices in general and continuously. There are various triggers for inflation, such as the COVID-19 pandemic and the Russia-Ukraine conflict, which complicate the supply chain of commodities needed by various countries. A number of impacts of the recession that are at risk for society include rising prices for daily necessities including food, layoffs, rising prices for energy supplies, and rising poverty rates.

For this reason, zakat has the potential to encourage stability in the country's economy because we know that the country of Indonesia is predominantly Muslim, which has enormous potential in

collecting zakat, and zakat can cover a number of things, namely aggregate consumption, savings, investment, alleviation of poverty: (1) sources of working capital; (2) zakat plays a role in opening jobs.

Table 1. ADHB GRDP by Expenditure (Million Rupiah)

Expenditure Type	2019	2020	2021
Household Consumption Expenditures	8926405.98	8694600.51	9107896.77
LNPR consumption expenditure	199922.60	191843.39	198240.12
Government Consumption Expenditures	1483454.15	1376819.89	1418381.80
Gross Fixed Capital Formation	4839487.25	4768557.09	5005753.85
Inventory Changes	216.29	716.58	39351.36
Net Exports of Goods and Services	-48148.19	220463.38	162251.90
GRDP	15401338.07	15253000.84	15931875.79

Source: BPS data

Analysis of Household Consumption

Household consumption is all household expenditure on goods and services to meet the needs of life. There are many reasons why the macro economy needs to pay attention to household consumption in depth.

First, because household consumption provides a large contribution or income to regional income, which means it will also affect the country's economic

growth. Second, household consumption has an impact that will affect fluctuations in economic activity from one period to another, a person's consumption is directly proportional to income. Household consumption has made a large contribution to economic growth and is directly proportional to people's income, so that when people's income is high, people's consumption will also increase. It can be seen that consumption is also driven by income. If people's income is large, the opportunity to spend income for consumption will also be greater. With an increase in people's income, people's consumption will also increase so that economic growth will increase.

Investment Analysis

Investment is the allocation of assets in the form of assets aimed at meeting material intellectual needs. Investment in Islam seeks to add assets from the results achieved to meet needs. Zakat investment can be divided into three parts, namely:

- Investment of zakat assets by the muzakki (people who give zakat).
- Zakat asset investment made by mustahiq.
- Investments in zakat assets carried out by entrepreneurs or amil zakat bodies.

Zakat investment as investment in zakat funds separately or with other funds in sectors that generate profits. The benefits of zakat investment are intended for the benefit of zakat recipients in the short and long term while still being guided by sharia principles (Farah, 1997:20). There are several things that serve as guidelines in investing in zakat, namely:

- Zakat investment is a means of supporting the implementation of zakat, not as a substitute for the existing zakat mechanism.

- b. Zakat investment must be carried out in accordance with sharia rules, such as not related to usury or bank interest.

Based on the results of the 2022 RZS calculation, the average value of zakat shares in 2021 is IDR 15.81 per share. Meanwhile, the total potential zakat for companies listed on the Indonesia Stock Exchange in 2021 is Rp81.94 trillion, which is greater than last year's potential of Rp69 trillion (baznas.go.id).

Government Expenditure Analysis

Government spending is government spending on goods and services to help run the government and for other needs related to the country's development. Government spending is one aspect of the use of economic resources that are indirectly controlled by the government and indirectly owned by the public through tax payments.

There are two types of government spending. First, routine expenditure includes spending on tools for government activities, employee salaries, paying interest on debt repayments, subsidies. Grant funds for assistance. Second, namely development spending. There are two types of development. Namely physical and non-physical development. Physical development includes infrastructure development such as roads, schools, hospitals and so on. While non-physical development, namely costs for training civil servants, program loans for project financing. Government spending can

stimulate activities in the economy, when spending is increased then production in the economy will run so that it requires a lot of manpower. When the workforce increases, unemployment will decrease, and people's income will increase and have an impact on increasing economic growth.

The Keynesian school showed that government spending spurred economic growth. The Keynesian view explains that increased government spending will encourage an increase in aggregate demand followed by an increase in the production of goods and services, which in turn will increase economic growth.

Analysis of ZIS Fund Distribution

The distribution of ZIS funds is a process, a way of acting distributing zakat funds to those who are entitled. The target objects for ZIS funds are 8 asnaf or groups, namely the poor, the poor, gharim, amil, converts, riqab, sabilillah and ibnu sabil. The ZIS Fund has a strategic position in terms of religious, social, economic, and community welfare. And become one of the most effective instruments. to help with poverty problems. In the economic aspect, the ZIS Fund has many functions and roles, including: (1) as a source of poverty alleviation funds; (2) sources of working capital; (3) zakat plays a role in opening jobs. With good business management by mustahik zakat, it is hoped that they will be able to meet their daily needs.

Table 2. Zakat Fund Collection Achievements (Year 2019-2021)

No	Fund Type	Realization and Achievement (%)					
		2019	Achievements (%)	2020	Achievements (%)	2021	Achievements (%)
1	Zakat Mall-Agency	14,168,585,290	141.69	10,234,817,017	94.5	13,072,627,581	81.7
2	Zakat Maal-per person	114,878,318,795	102.57	140,624,464,223	109.8	427,268,669,860	112.9
3	Zakat Al-Fitr	2,867,940,708	84.1	6,181,016,682	119.4	7,633,754,819	80.4
	Total	129,046,904,085	109.4	157,040,297,922	109.8	447,975,052,260	110.9

Source: Central BAZNAS data

According to data from BAZNAS it is known that the potential for zakat in Indonesia is 447.9 billion rupiah in 2021, this has experienced a significant increase from 2019 (129.04) billion to 447.975 billion in 2021. And the increase and zakat is due to funds increase in zakat per person by 472.02 billion in 2021. Use of Via UPZ

and BAZNAS digital channels with more and more channels making it easier for individuals who want to pay zakat to BAZNAS. This automatically increases the achievement of individual zakat collection which has increased quite high among other collections.

Table 3. Achievement of Distribution of Zakat Funds (Year 2019-2021)

No	Program field	Realization and Achievement (%)					
		2019	Achievements (%)	2020	Achievements (%)	2021	Achievements (%)
1	Economy	32,136,420,860	75.27	27,836,295,538	59.2	53,986,971,995	67.0
2	Education	40,061,303,439	183.20	32,209,302,378	153.2	56,275,865,964	130.4
3	Health	24,608,936,619	85.42	25,964,614,889	110.9	33,327,691,075	66.2

Source: Central BAZNAS data

The distribution of ZIS funds is not only used for consumption, but the distribution of ZIS funds can be developed into working capital which can be used for working capital so that it can increase people's income. When people's income rises automatically it will affect economic

growth which will increase. Zakat is a very important variable in the Indonesian economy considering that Indonesia has a majority Muslim population. Zakat has a direct effect on GDP, which means it will affect economic growth in Indonesia. Zakat can be used as an instrument that can encourage an increase in the welfare of mustahik (zakat recipients) through the

circulation of wealth collected from muzaki. That way, zakat can affect economic growth through the distribution of wealth. Zakat is a certain number of assets that must be issued by Muslims to certain groups. So that it is hoped that there will be an even distribution of wealth among the people. Zakat can also be used as a way to combat hoarding of wealth, because everything that is stored must be issued zakat.

Table 4. National IKB Value Based on Poverty Line

CIBEST Welfare Index		0.75
QUADRANT *	Quadrant I	68.31%
	Quadrant II	31.21%
	Quadrant III	0.23%
	Quadrant IV	0.24%
HDI Modification Index		0.50
Compiler Index	Health Index	0.59%
	Education Index	0.61%
Independence Index		0.47
Variable	Routine Income	71.19%
	Non-Routine Income	27.12%
	Leased Assets	0.77%
	Savings	53.58%
BAZNAS WELFARE INDEX		0.62

Source: Puskas BAZNAS, processed
Information: (*) indicates the percentage of mustahik

The 2021 National IKB score is in the Good category (0.62). The first variable, namely CIBEST, gets a value of 0.75 (Good). From the description of the CIBEST quadrant, it is known that 68.31% of mustahik households are in quadrant I (prosperous group). Meanwhile, there are 31.21% of mustahik who are in quadrant II or who are materially poor. Next is quadrant III or the spiritual poor group and quadrant IV or the absolute poor. In these two quadrants, in the third quadrant there

are 0.23% mustahik who are spiritually poor but materially rich and 0.24% mustahik are in quadrant IV which means absolute poverty (material and spiritual).

As for the second component, namely the HDI modification index, the national value is in the Fairly Good category (0.50). There are two indexes that make up the HDI modification, namely the health index and the education index, each of which scores 0.59 (Fair) and 0.61 (Good).

The last IKB constituent component is the independence index. From the table above it can be seen that the national independence index value is 0.47 (Good enough). In detail, it is known that 71.19% mustahik have regular income, 27.12% mustahik have non-routine income, 0.77% mustahik have assets and have leased them as a source of income and more than 50% or as much as 53.58 % mustahik have carried out saving activities.

Facing an Economic Recession

Zakat allows for the allocation of resources to sectors that are more socially desirable, so as to increase the efficiency of allocation in the economy. Zakat also has a mechanism for transferring income to groups classified as mustahik, so that zakat can increase the purchasing power of this group. With the increase in purchasing power, groups classified as mustahik will increase their demand for goods or services which are dominated by demand for basic needs. BAZNAS explained that zakat is a fiscal policy instrument that has the potential to become a discretionary fiscal stabilizer that plays an important role in overcoming the negative impacts of the business cycle and stabilizing the economy. Meanwhile, on a smaller scale, when zakat is not managed by the state,

Zakat will act as a discretionary fiscal stabilizer if certain conditions occur and allow for it, especially when the zakat

funds are significant and are fully managed by the government. This is only possible if the zakat expenditure (zakat disbursement) can be different in amount from the zakat revenue received, where the amount of zakat distribution will depend on the economic situation. During a recession, the collected zakat funds have the potential to decrease. This happens because the basis of receiving zakat decreases along with a decrease in people's income. In a recession, the number of muzaki will decrease and mustahik will increase, causing the amount of zakat received to decrease and the amount of zakat to be distributed will increase. This decrease in zakat funds has the potential to cause a zakat fund deficit.

Therefore, El-Din in the BAZNAS Strategic Studies Center (2019) suggests that zakat can be spent in the form of consumption and production goods, so that the ratio of consumption goods to production goods can be used as a fiscal instrument. At the time of economic expansion, more zakat should be spent on production goods, so that the ratio of consumer goods to production goods will decrease. On the other hand, when a recession occurs, zakat spending is directed towards spending on consumption goods, so that the ratio of consumption goods to production goods increases and can have an expansionary impact on economic recovery. If the government has not fully managed zakat and the amount is still small, then zakat can still play a role through its role as an automatic fiscal stabilizer, namely an economic stabilization tool. Zakat at a fixed rate acts as a proportional tax that has the potential to reduce output fluctuations automatically. The zakat funds collected will be spent on the poor so that this group's consumption can continue without being too affected by economic conditions, so that in the end they are able to make output, especially during a recession, more stable. The combination of the function of zakat as a proportional tax and benefits for the poor will reduce the impact of fluctuations in the business cycle

on the economy. To finally be able to make output, especially in recessionary conditions, more stable. The combination of the function of zakat as a proportional tax and benefits for the poor will reduce the impact of fluctuations in the business cycle on the economy. to finally be able to make output, especially in recessionary conditions, more stable. The combination of the function of zakat as a proportional tax and benefits for the poor will reduce the impact of fluctuations in the business cycle on the economy.

BAZNAS Strategic Plan

First, the pillar of Amil human resources managing zakat is a process of strengthening the quality and increasing the quantity of human resources managing zakat so that zakat management can better achieve the goals of managing zakat itself. Amil zakat human resources are the main resource in zakat management. With good and competent human resources, zakat management can be carried out more effectively and efficiently. Amil zakat human resources include leaders and implementers both at BAZNAS and at LAZ. The BAZNAS strategic plan needs to give primary attention to the development of amil zakat human resources so that the output of zakat management in Indonesia can continue to be even better.

Second, the collection pillar is an important pillar in the zakat management system in Indonesia. The realization of zakat collection in Indonesia is not only influenced by public awareness in paying zakat, but also the reputation of the zakat institution itself. Therefore, there are two other important things that need to be considered in collecting zakat, namely management and utilization aspects. The main target in the collection pillar is the optimization of the national zakat potential. This target can be achieved with a series of main programs including (1) increasing zakat literacy, (2) integrating zakat, fiscal

and commercial, (3) digitizing socialization and zakat donation services, (4) mapping and strategies for achieving zakat potential based on area and type zakat, and (5) increasing and expanding the scope of muzaki.

Third, the distribution pillar. The distribution of zakat funds by OPZ is divided into two approaches, namely distribution and utilization. The main target in the distribution pillar is poverty reduction. Zakat in the poverty alleviation scheme plays a role in a corrective approach as a mandatory transfer of income. Zakat as a corrective approach in poverty alleviation is supported by sunnah income transfers in the form of alms and government intervention. This shows that although zakat is the main instrument of poverty alleviation in Islam, zakat also needs to be complemented by various other corrective actions such as voluntary transfers of income and government intervention. There are three important points of concern in efforts to reduce poverty, namely economic aspects, social aspects and advocacy aspects. The target of the distribution pillar can be achieved with a series of main programs including (1) application of the Mustahik Identification Number, (2) increasing and expanding the coverage of mustahik, (3) indicator of the zakat program based on SDGs, (4) measurement of the impact of zakat, (5) program prototyping zakat, (6) enriching program model guidelines, and (7) harmonization of the zakat program according to the RPJMN and RPJMD. The basic strategy used to realize the main program is strengthening integrated mustahik data and program strategies, (4) measuring the impact of zakat, (5) prototyping the zakat program, (6) enriching the program model guide, and (7) harmonization of the zakat program according to the RPJMN and RPJMD.

And fourth, the pillar of control is part of zakat management which is more focused on management aspects, especially

the dimensions of planning, organizing and supervising. The main target in the distribution pillar is institutional and governance strengthening. The governance pillar targets can be achieved with a series of main programs including (1) development and OPZ National Standards, (2) zakat institution financial audits, (3) zakat institution sharia audits, (4) reporting on national zakat management and digitalization of zakat governance, (5) strengthening coordination, and (6) law enforcement and ethics. The basic strategy used to realize these main programs is regulation and good amil governance (GAG).

CONCLUSION

It can be concluded that the effectiveness of zakat is very helpful in the scope of household consumption, government spending, investment, export and import, and economic growth to face the challenges of an economic recession.

The zakat investment strategy is designed to increase people's income and realize their welfare. Zakat investment must prioritize business activities that provide direct benefits to mustahik. The work to eradicate poverty in Indonesia is still a long way to go. Of course, this good result must be further improved so that the benefits of zakat are even more optimal. What is necessary and obligatory for zakat institutions to do is to always monitor and evaluate every program given to mustahik. The hope is that if mustahik have succeeded in getting out of the poverty line and even their income exceeds the nisab of zakat so that they turn into muzaki, this condition can still be maintained even without assistance from a zakat institution. Besides that, zakat institutions can also collaborate or share experiences with each other about zakat programs that have been or will be carried out. The existence of this collaboration will strengthen and strengthen the role of zakat institutions so

that the good goals to be obtained by zakat can be achieved optimally.

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